

**Committee:** Full Council

**Agenda Item**

**Date:** 19 February 2008

**11**

**Title:** HOUSING REVENUE ACCOUNT ESTIMATES  
AND RENT LEVELS 2008/2009

**Author:** Adrian Webb, Acting Chief Financial Officer  
01799 510421, Diane Burridge, Director of  
Operations, 01799b 510580

Item for  
decision

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### Summary

1. This report sets out adjustments to the 2007/08 revised estimates and the 2008/09 draft estimates for the Housing Revenue Account (HRA) that were reported to the Community Committee on 24 January 2008.

The changes reduce the estimated HRA working balance that will be available at 31 March 2009 by £19,960 from £483,548 to £463,588.

### Recommendations

2. That Members approve the amended Housing Revenue Account Budget Estimates for 2007/08 and 2008/09 and

Confirm the Rent and Charges Levels for 2008/09 that were agreed by the Community Committee on 24 January 2008 and note that the charges for warden services are to be set at £13.85 per week and charges for lifeline services to tenants be set at £3.07 per week.

### Background Papers

3. Community Committee meeting 24 January 2008 agenda item 9, Housing Revenue Account Estimates and Rent Levels 2008/09.

### Impact

Communication/Consultation	The Tenant Forum and the Housing Initiative Task Force were consulted on a draft of the main HRA Budget and rent setting report prior to it's consideration by the Community Committee.
Community Safety	There are no specific community safety implications contained in this report.
Equalities	There are no specific equality implications contained in this report
Finance	This report deals with the Budget for the Housing Revenue Account and 2008/09 rent levels.
Human Rights	There are no specific human rights implications contained in this report
Legal implications	Any legal implications of the actions proposed in this report will be considered
Sustainability	The budget estimates contain provision for an options appraisal to help in considering the long term future of the HRA

Ward-specific impacts	There are no specific ward implications contained in this report
Workforce/Workplace	All staff are being kept informed about the Council's General Fund budget position, which indirectly affects the HRA. The Union has been consulted.

### Situation

4. A budget for the Housing Revenue Account was agreed by the Community Committee on 24 January 2008. This report identifies adjustments to that budget incorporating additional net costs of £10,010 in 2007/08 and £9,950 in 2008/09.

The changes comprise the following:

	(£)
<b>2007/08 Revised Estimate</b>	
Transport - internal recharges	14,260
Charges for repairs work	(5,280)
Supervision & Management - adj to RTB etc.	1,030
	<b>10,010</b>
<b>2008/09 Estimate</b>	
Reduced income from Supervision of capital works – following reductions in Capital Programme	94,020
Transport - internal recharges	15,660
Maintenance depot staffing reductions	(50,920)
Reduced deferred charges re cash incentives	(40,000)
Charges for repairs work	(5,800)
Recovery of Right to Buy costs etc.	(3,010)
	<b>9,950</b>

### Charges for Supporting People Services

5. The Community Committee agreed to set Supporting People charges for 2008/09 in line with the contracts with the Commissioning Body that were awaited. Increases of 2% above the 2007/08 levels have now been determined and the charges for 2008/09 have therefore been set at £13.85 per week for warden services and £3.07 for lifeline services to tenants.

### Risk Analysis

Risk	Likelihood	Impact	Mitigating actions
<b>Rents not set</b>	<b>1</b>	<b>4 Tenants need to be advised of rent increases in advance</b>	<b>The Community Committee agreed the HRA budget prior to the adjustments in this report.</b>

## FOR INFORMATION

**Committee:** COMMUNITY

**Agenda Item**

**Date:** January 24, 2008

**9**

**Title:** **HOUSING REVENUE ACCOUNT ESTIMATES  
AND RENT LEVELS 2008/2009**

**Author:** Adrian Webb, Acting Chief Financial Officer,  
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Item for decision

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### Summary

1. This report sets out the 2008/09 draft estimates for the Housing Revenue Account (HRA). The rent levels incorporated into the estimates are based on formula set by central government and are for confirmation by this Council.

### Situation

2. At 1 April 2007, the balance on the HRA account amounted to £776,528.
3. This report indicates that the balance on the HRA is estimated to decrease to £615,000 by 31 March 2008 and £484,000 by 31 March 2009. The 2007/08 original budget envisaged that the HRA balance would be maintained at a minimum of £525,000 with an expectation that the balance would increase in order to ensure the future financial viability of the HRA.
4. The estimated HRA budget for 2008/09 is balanced but in consideration of the low working balance and of the pressures identified in the HRA Business Plan it is likely that corrective financial action will be required soon. The budget estimates for 2008/09 contain provision for an options appraisal in this regard.

RECOMMENDED that this Committee:

Accept the draft estimates as presented for 2008/2009 and confirm that:

- The weekly dwelling rents be increased by an average of 6.6%, in line with the Government's proposals for rent restructuring;
- Garage rents increase from £7.40 to £7.60p per week (2.7%) and that heating and sewerage charges be increased in line with actual costs, capped at 5%.
- Charges for warden services are set from April 2008 in accordance with the contracts with the Commissioning Body, and that protection be continued for tenants at 31st March 2003 who are ineligible for supporting people grant assistance. Charges for lifeline services are similarly to be set from April 2008 in line with the contract with the Commissioning Body.

### Background Papers

- Uttlesford DC HRA Business Plan December 2007
- DCLG HRA Draft Subsidy Determinations 2008/2009
- Budget working papers 2008/09
- Minutes of the Housing Initiative Task Group 8 January 2008

## Impact

Communication/Consultation	The Tenant Forum and the Housing Initiative Task Force have been consulted on this report. Appropriate communication with the public and other stakeholders will take place regarding the Council's budget position.
Community Safety	There are no specific community safety implications contained in this report.
Equalities	There are no specific equality implications contained in this report
Finance	This report deals with the Budget for the Housing Revenue Account
Human Rights	There are no specific human rights implications contained in this report
Legal implications	Any legal implications of the actions proposed in this report will be considered
Sustainability	The budget estimates contain provision for an options appraisal to help in considering the long term future of the HRA
Ward-specific impacts	There are no specific ward implications contained in this report
Workforce/Workplace	All staff are being kept informed about the Council's General Fund budget position, which indirectly affects the HRA. The Union has been consulted.

## HRA Balances

5. The Audit Commission's Annual Audit Letter for 2004/05 indicated that the HRA Balance of £500,000 at that time would need to be increased to be in line with good practice in comparable authorities. This report indicates that the estimated HRA balance will have reduced to £484,000 by 31 March 2009. The latest business plan also projects a diminishing balance in subsequent years.

## Supervision and Management

6. The original 2007/08 cost estimates for supervision and management have decreased by 8.8% from £2,432k to a revised estimate of £2,219k and by

1.9% to £2,385k in the estimate for 2008/09. These reductions reflect various redundancies and re-structuring initiatives.

7. The 2007/08 Budget included £50,000 savings to be achieved through a Structural Re-engineering exercise. The Management Report on the Review of Housing Services dated 31 July 2007 identified £90,716 non-cashable savings and £91,484 cashable savings, including £20,294 benefit to Sheltered Housing Services and £71,190 to Property Services.

### Housing Repairs

8. Housing Repairs estimated gross costs in 2007/08 have increased by £96k from the original estimate of £1,705k to a revised figure of £1,801k, largely as a result of un-recovered Maintenance Depot costs of £88k. Estimated 2008/09 gross costs of £1,928k reflect a reduced Depot deficit of £21k and an increase of £97k in respect of external decoration schemes.

### Impact of DCLG Subsidy Rules

9. The DCLG issued draft subsidy determinations on the 23rd November 2007 (corrected and re-issued on 10<sup>th</sup> December) for 2008/2009. The determination covers all elements of the HRA, most of which are fixed.
10. The subsidy mechanism identifies notional levels of expenditure, rent and other income. The formula for calculating the subsidy payable for 2008/09 is essentially unchanged from that used in 2007/08 with the exception that the Rental Constraint Allowance (RCA) has been removed. The 'notional' surplus to be paid to central government is £4,488k for 2007/2008 and £5,160k for 2008/2009 (+15%).

<u>Elements of Subsidy Calculation</u>	2006/2007	2007/2008	2008/2009
	£'000	£'000	£'000
Management and Maintenance	3,610	3,767	3,823
Major Repairs Allowance (MRA)	1,808	1,850	1,864
Rent (based on guidelines)	(9,724)	(10,354)	(10,907)
Rental Constraint Allowance	45	189	0
Capital Charges + Interest Rcpts	35	60	60
Total notional deficit / (surplus)	(4,226)	(4,488)	(5,160)

## Dwelling Rent Increases

11. Criteria for calculating rent levels for UDC housing stock include the following government defined parameters:

- Formula rent – Rent level after full convergence.
- Guideline rent – Rent level assumed in Subsidy calculation.
- Limit rent – Maximum rent allowed without a proportion of 'excess' Housing Benefit payments being added to the negative subsidy payment.

The average levels applicable to UDC are listed in Table A.

	2007/08	2008/09	Increase
	(£/week)	(£/week)	(£/week)
Formula Rent	76.85	80.23	3.38
Guideline Rent	70.28	74.14	3.86
Limit Rent	72.23	75.94	3.71

12. The DCLG is continuing the process, which over the ten-year period 2002/03 to 2011/12, is designed to bring about, a converging pattern of rents for all similar social housing properties. Based on government set criteria, rent levels will vary according to local property values and manual earnings. Over the next four years rents will need to be adjusted to move towards the "formula rent" derived from the DCLG formula.

13. Failure to increase rents in line with these expectations would make it increasingly difficult to pay the calculated HRA surplus to the Government.

14. The DCLG has indicated that regard should be given to the general concept of rent re-structuring when considering rent increases for 2008/09. This implies that rents should continue towards the formula rent but no average rent increase has been specified.

15. In 2006/07 and 2007/08, average increases of 5% were specified and the subsidy calculation included an additional Rental Constraint Allowance to compensate for the consequent losses. It should be noted that the effects of limiting 2006/07 and 2007/08 rent increases will continue until rent re-structuring has been achieved. The guideline rent has, however, been increased at a rate below that required to achieve the targeted 'formula rent' by 2011/12 and this has the effect of decreasing the amount payable to the DCLG which has the opposite effect to the withdrawal of the RCA.

16. The method of calculating the Formula Rent remains unchanged and, although individual rent caps prevent UDC fully achieving rent restructuring by 2011/12, these estimates have been prepared in a similar manner to

previous years in order for all actual rents to equal formula rents as soon as possible.

17. It is proposed that specific rent increases for each dwelling be set by moving  $\frac{1}{4}$  of the way from the existing rent (updated by inflation + $\frac{1}{2}$ %) to the appropriate formula rent. As in previous years, individual increases are limited to inflation +  $\frac{1}{2}$ % + £2.00. The rents overall will therefore increase by an average of 6.6%. This will increase the calculated average rent from £69.52 to £74.14 per week and increase rental income by £680,000. Individual rent increases range between 1.8% and 8.3%.
18. The government specifies a limit rent for each authority, which triggers a penalty if rents are set such that the average rent exceeds the limit rent. The proposed average rent (£74.14 per week) is below the limit rent (£75.94 per week) and so the subsidy calculation is unaffected.
19. Rent weeks begin on a Monday and therefore there will have been 53 weekly rent debits raised in 2007/08 and 52 in 2008/09. Income from week 53 will be apportioned to the appropriate financial years.

### **Supporting People including Lifeline Services**

20. The "Supporting People" arrangements introduced from April 2003 mean that tenants receiving warden services now pay charges intended to recover the cost of those services. Those tenants who qualify receive assistance with these charges through the County Council. Tenants who would not otherwise qualify, but who were in receipt of the service when the scheme began, continue to be partially subsidised from the HRA.
21. In recent years, charges for sheltered services have been adjusted to take into account the available level of Supporting People grant. These estimates assume that the grant rates will again be held at current levels. The Commissioning Body are likely to decide actual 2008/09 grant levels sometime in January 2008. The 2008/09 budget estimates are based on provisional weekly charges of £13.58 and £6.32 (reduced rate). This allows for an increase of £0.15 (2.4%) in the reduced rate charge.

Charge rates and grants levels from 2006/07 are as follows:

	Charge	Grant
2006/07	£15.09 per wk	£13.58 per wk
2007/08	£13.58 per wk	£13.58 per wk
2008/09 prov'l	£13.58 per wk	£13.58 per wk

A reduced rate is set for those tenants who were in receipt of the service prior to April 2003 but are not eligible for the full grant. It is proposed that the reduced charge should be increased by 2.5%.

	Reduced Rate (nil grant)
2006/07	£ 6.02 per wk
2007/08	£ 6.17 per wk
2008/09	£ 6.32 per wk

22. The Lifeline service provides for customers both within the HRA and within the General Fund. The cost of the service is fully recovered from users. Private tenants and householders are charged £44.90 per quarter (= £3.454 per week) for Lifeline services. It is proposed to maintain the same charge rate for 2008/09.
23. Supporting People grant for the Lifeline services was set at £3.01 per week for 2007/08 and budgets for 2008/09 have been based on the assumption that grant rates will be held at 2007/08 levels.
24. It is proposed to hold "Lifeline" charges to the grant figure to be set by Essex CC Supporting People Team. The estimated income is based on grant levels being maintained at 2007/08 levels.

	Lifeline Charge	Lifeline Grant
2006/07	£ 3.35 per week	£ 3.01 per week
2007/08	£ 3.01 per week	£ 3.01 per week
2008/09 prov'l	£ 3.01 per week	£ 3.01 per week

25. Late notifications of grant levels and delays in processing changes in entitlement can give rise to over or underpayments of grant. Essex County Council has recently implemented a batch of corrections from previous years, including adjustments for overpayments of £47,000 and a significant number of corrections for underpayments are being progressed. The adjustments have been provided for and will not impact on the budgeted amounts.

### **Charges to Tenants for Common Services**

26. The government encourages non-landlord services to be de-pooled and separate charges to be levied as for example with sewerage services. De-pooling thereby removes the net cost of the specific services from the HRA and consequently from those tenants that do not benefit. There are difficulties for all organisations in identifying services that are additional to those fundamental to tenancies in common, however, and there has been no further "un-pooling" of services within this authority.

### **Charges to non-tenants**

27. Costs of services provided for the wider community but initially shown within the HRA must by law be charged on to the recipients. Charges made to non-tenants for such services are based on actual costs.

### **Other Rents and Charges**

28. It is proposed to increase heating charges to tenants using communal boilers in line with costs. This is estimated to increase income by £2,750 over 2007/08 levels.
29. Garage rents - It is recommended that garage rents are increased by 2.7% from £7.40 to £7.60 for the year. This is estimated to raise £5,200 in additional income.



30. Sewerage charges - It is proposed to increase sewerage charges in line with costs. This is estimated to increase income by £1,800.

### **HRA Business Plan**

31. The draft HRA Business Plan model projections produced in December 2007 indicate that, given the assumptions used, there will be a positive position up to 2011/12, though with a reducing balance.
32. The report also recommends that further work should be undertaken in regards to the stock condition survey, the review of subsidy payments and management and maintenance costs. It suggests that the Council faces a considerable challenge in the future and will need to think of corrective financial action to its HRA soon.
33. The budget estimates for the HRA are in line with the model projections in the Business Plan for 2008/09 and include provision for undertaking further work.

### **Communication and Consultation**

34. The Tenants Forum considered a draft of this report on 8 January 2008 and reluctantly agreed that there was no option other than to apply a 6.6% rent increase. Concern was expressed that large rent increases would be needed in future years and that charges for Lifeline services might increase more than state pensions. The Forum also expressed a wish for the Council to continue to fulfil the role of landlord.
35. The Housing Initiative Task Group considered a draft of this report on 9 January 2008 and recommended that the HRA estimates for 2008/09 be accepted (subject to clarification of some points of detail) and that the recommendations for the rents and charges be adopted. Further details are included in the minutes of the meeting, elsewhere on the agenda.

### **Conclusions**

36. The HRA estimates proposed in this report are considered viable for the current year (2007/08) and next year (2008/09). However, corrective financial action will need to be considered soon for the long term future of the HRA.
37. The recommended rent increase represents an average of 6.6% in rent levels, in line with the Government's phased rent restructuring policy. Other items are recommended to increase by inflation where possible or adjusted in line with available grant in respect of Supporting People charges.
38. The Community Committee is asked to confirm the rent increase for 2008/09 and the other changes built into the budget, including service charge and garage rent levels.